

Paragon Treasury Plc

Paragon Asra Housing Limited ('PA Housing') trading update and unaudited financial results for the year ended 31 March 2022

PA Housing, the parent company of Paragon Treasury Plc and a Registered Provider owning and managing nearly 24,000 homes in the East Midlands, London and Surrey, announces its trading highlights and unaudited summary financial results for the 2021/22 financial year.

Headline results

Over the year, PA Housing has delivered an operating surplus of £46.8m from turnover of £169.4m, equating to an operating margin of 28 per cent. The operating surplus was £3.1m (6%) below budget. Total comprehensive income after interest and other adjustments was £18.4m. Total available liquidity as at 31 March 2022 was £362m.

As noted in our 2021 Financial Statements and our 2021/22 half-year trading update, our Board has allocated additional resources to ensure ongoing full compliance with the evolving building safety agenda. This has included acceleration of some testing and inspection programmes, and in respect of fire safety some projects to remediate estates where historic issues have been uncovered by intrusive surveys. These projects remain ongoing into 2022/23

and beyond. In the meantime, where necessary we have installed 24 hour 'waking watch' security (at PA's cost) on certain estates to ensure that our residents feel safe and protected.

The non-recurring fire safety remediation expenditure had a significant impact on headline results, with operating margin from social housing lettings being reduced to 23% versus an underlying result of 27% excluding the additional spend.

In other areas of core activity:

- Rent and service charge losses through vacant properties ended the year above budget. Average re-let days for our general needs homes were though 31 days lower than the prior year, giving encouragement

that our work to reduce re-let times is bearing fruit.

- Service costs were above budget, with results heavily impacted by mid-year renewal of utilities contracts which saw significant price increases due to the volatile market conditions.
- Responsive repair costs were above budget, driven by higher job volumes as we worked to meet our residents' requirements.

Other areas were broadly in line with budget expectations, with some savings on overhead costs. On the sales front, new build shared ownership sales profits ended the year below budget. This was volume driven but demand for our homes is strong, with results instead influenced by a range of process-related delays to agreed sales. The average sales margin on completed sales was 30%, indicating that prices remain buoyant in our areas of operation. Similarly, sales of existing homes (primarily through Right to Acquire or shared ownership staircasing) were much stronger than budget and we ended the year with profits from such transactions at £7.6m.

Our Board continues to closely review financial plans and risks. In addition to our ongoing commitment to complete necessary fire safety remediation works, the current economic climate brings clear additional short-term pressure to social housing providers and our residents. We are starting to see price increases on supply contract renewals at levels significantly in excess of our annual rent increase, which was set at 4.1% from April 2022. The Board accepts that these factors will continue to compromise ability to meet all golden rules in the short term, but extensive scenario testing gives assurance that our financial plans remain robust and resilient into the longer term. The Board is not proposing any golden rule adjustments and believes that the rules remain appropriate once short-term issues have been worked through. Board members have though committed to a review of our sales turnover golden rule, which limits such turnover to a maximum of 25% of total business turnover, with a view to reducing this limit through moderation of future sales exposure.

Areas of focus

PA continues to operate a simple business model which reflects our status as a traditional general needs social housing landlord. In addition to the immediate issues relating to building safety and the economic climate noted above, key areas of focus in the year ahead include the following:

- A programme of work to drive up our residents' satisfaction with the services we provide.
- Ensuring full preparedness for the new consumer regulation regime.
- Further development of our plans to navigate the journey towards net zero carbon status, in line with our Sustainability Strategy.
- Getting on with delivery of our new Equality, Diversity and Inclusion Strategy which aims to place PA at the forefront of sector thinking about this important strand of activity.
- Recruitment of a new Board Chair and additional Board members.

Outlook

PA Housing's long-term financial outlook remains positive. Our liquidity position is strong and we continue to pursue further funding opportunities to support our growth plans. The current high inflation environment is introducing uncertainty and volatility across the UK economy. PA and the wider social housing sector will not be immune to this, but we have the resilience to withstand these pressures and ensure that our residents are supported as much as possible.

Statement of Comprehensive Income to 31 March 2022 (unaudited)

	2021/22 £m	2020/21 £m	Variance £m
Rent and service charges income	140.8	136.4	4.4
Shared ownership first tranche sales	19.5	12.5	7.0
Other income	3.7	2.7	1.0
Amortisation of Social Housing Grant	5.4	5.3	0.1
Turnover	169.4	156.9	12.5

Core operating costs	(96.8)	(86.2)	(10.6)
Depreciation and impairment	(19.7)	(24.7)	5.0
Cost of first tranche sales	(13.7)	(8.5)	(5.2)
Surplus on fixed asset disposals	7.6	4.1	3.5
Operating surplus	46.8	41.6	5.2

Net interest	(29.7)	(27.2)	(2.5)
Gift aid, taxation and other adjustments	1.3	2.2	(0.9)
Total comprehensive income	18.4	16.6	1.8

Statement of Financial Position as at 31 March 2022 (unaudited)

	31 Mar 22 £m	31 Mar 21 £m
Negative goodwill	(6.1)	(6.7)
Tangible fixed assets – housing properties	1,971.8	1,855.3
Tangible fixed assets - other	23.5	18.9
Current assets	129.0	128.6
Current liabilities	(52.3)	(208.1)
Total assets less current liabilities	2,065.9	1,788.0

Creditors due after more than one year	(1,466.9)	(1,204.8)
Pension liabilities and other provisions	(23.5)	(15.1)
Total net assets	575.5	568.1

Reserves	575.5	568.1
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Note: The above 2021/22 figures are based on unaudited management accounts and are subject to change following audit. In particular, pension scheme actuarial valuations as at 31 March 2022 are not yet available and so are not included in these figures.

ESG

In 2021 we produced our first annual ESG outturn report, incorporating the sector-wide Sustainability Reporting Standard for Social Housing. Our 2022 report will again be made available around the time that we publish our 2022 Financial Statements, planned for shortly after our July 2022 Board meeting.

Disclaimer

The information in this preliminary announcement of results has been prepared by Paragon Asra Housing Limited and is for information purposes only. The announcement should not be construed as an offer or solicitation to buy or sell any securities issued by Paragon Treasury Plc or any other member of the Group, or any interest in such securities, and nothing herein should be construed as a recommendation or advice to invest in any such securities.

This unaudited announcement contains certain forward looking statements reflecting, among other things, our current views on markets, activities and prospects. By their nature, forward looking statements involve a number of risks, uncertainties or assumptions that could cause actual results to differ materially from those expressed or implied by those statements. Actual and audited outcomes may differ materially. Such statements are a correct reflection of our views only on the publication date and no representation or warranty is given in relation to them, including as to their completeness or accuracy or the basis on which they were prepared. Financial results quoted are unaudited. We do not undertake to update or revise such public statements as our expectations change in response to events. Accordingly, undue reliance should not be placed on forward looking statements.

Enquiries

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Other key metrics and indicators as at 31 March 2022 (unaudited)

	31 Mar 22	31 Mar 21
Operating margin (social housing lettings)	23%	24%
As above excluding fire safety remediation spend	27%	29%
Operating margin (all activities)	28%	26%
EBITDA-MRI interest cover (loan covenant basis)	146%	136%
Available liquidity	£362m	£264m
Cash	£29m	£41m
Total loans and borrowings	£994m	£877m
Net debt	£965m	£835m
Gearing (loan covenant basis)	52%	48%
Core lettings business	31 Mar 22	31 Mar 21
Current resident rent arrears	4.0%	4.6%
Rent loss through voids	2.6%	2.9%
Re-let times (general needs properties)	57 days	88 days
Development and sales	31 Mar 22	31 Mar 21
Completed homes: rented social tenures	132	182
Completed homes: shared ownership	185	116
Completed homes: other	1	4
New build shared ownership homes sold	127	86
Unsold homes total	174	114
Unsold homes > 6 months	71	40
Average sales margin	30%	31%

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